



Michigan Pawnbrokers Association

Reasons for a Modest Interest Rate Increase

- Michigan's Pawn Interest Rates have been unchanged since 1917. For 100 years these rates have been in effect for pawnbrokers, however with the increased costs of doing business it is difficult to operate on such a small interest rate.
- Michigan's Pawn Loan Rates are the lowest of all 50 states.

Michigan - 3% per month

New York - 4% per month plus fees

Ohio 5% per month plus fees

Wisconsin - 12% per month

Arizona - 13% per month plus fees

Nevada - 13% per month plus fees

Texas 15% per month

Tennessee - 22% per month

Illinois - 23% per month

Indiana - 23% per month

Georgia - 25% per month

Alabama - 25% per month

Florida - 25% per month

Maine - 25% per month

Montana - 25% per month

- The low interest rate in Michigan has created a "Black Market" Pawn industry. Only 1 in 10 Pawnbrokers operate using the legal 3% rates. Most places do what is called a "Buy-Back", which is a way around charging the legal rates. A business operating as a "Buy-Back Pawn Shop" buys merchandise from a customer and promises to sell it back to them in 30 days for 25% more. This is by definition a pawn transaction, but the interest rates charged are much higher than Michigan law allows.
- The low interest of 3% creates a serious barrier to entry and forces most pawn shops to do the illegal "Buy-Back" option. By raising the rate only 1% will help close the gap between the legal shops and the illegal Buy-Back shops.